



Public Transport

“ The past decade has seen an increased awareness of the links between social exclusion and public transport services. A lack of access to public transport services can influence an individual’s access to employment, education, leisure activities and health services. ”

Jane Lethbridge

Principal Lecturer,
Public Services International Research Unit,
Business School, University of Greenwich

Public transport plays an essential role in enabling people from low income and other disadvantaged groups to access employment and services. It also contributes to the development of social networks and social capital, by helping people to visit friends and relatives and take part in community and other social activities. Public policy makers have begun to recognise that adequate public transport provision can play an important role in reducing social exclusion.

In 2006, the Family Spending Statistics showed that household expenditure on public transport, for the lowest income decile, was £1.70 per week, of which the majority was spent on bus fares (National Statistics, 2008). The highest income decile spent £13.70 per week, with most of this expenditure spent on rail fares, probably commuting. If personal and public transport costs are combined, then the lowest income decile spent 10% of their income on transport as compared to the highest income group, which spent 17%.

Table 1: 2006 Household expenditure on transport											
(£ per week/percentage of total household expenditure)											
	Lowest 10%	Second decile	Third decile	Fourth decile	Fifth decile	Sixth decile	Seventh decile	Eighth decile	Ninth decile	Highest 10%	All households
Purchase of Vehicles	4.60	4.00	12.00	12.30	14.10	19.30	21.60	32.80	44.90	68.70	23.40
Operation of Personal transp	6.40	9.10	15.60	18.80	25.00	28.30	33.60	40.80	47.60	61.10	28.60
Vehicle insurance	2.10	3.00	4.60	5.80	7.20	8.10	10.10	11.40	12.20	15.20	8.00
Total personal Transport	13.10 8	16.10 8	32.20 12	36.90 11	46.30 12	55.70 13	65.30 13	85.00 14	104.70 15	145.00 15	60.00 13
Rail & tube Fares	0.60	0.30	0.70	0.60	0.70	1.30	2.30	2.80	4.00	8.20	2.20
Bus & coach fares	1.00	1.00	1.20	0.80	1.50	1.80	1.90	1.30	1.40	1.20	1.30
Total public Transport	1.70 1	1.50 1	2.30 1	1.50 -	2.60 1	3.90 1	5.00 1	6.00 1	7.20 1	13.70 1	4.50 1
Other travel & transport	1.30	2.30	3.20	7.80	4.90	4.00	5.10	5.10	7.70	13.60	5.50
Total transport	16.10 10	19.90 10	37.70 14	46.20 14	53.80 14	63.60 15	75.40 15	96.10 16	119.60 17	162.30 17	70.00 15

Source: *National Statistics (2008) 'Family spending: 2007 edition' Palgrave MacMillan, London*

Notes

1. *Total public transport includes combined fares*
2. *Vehicle insurance is also included in the financial services table*

Bradshaw *et al* (2008), in a study to establish a minimum income standard, found that people felt that minimum transport needs could be met by public transport services. An allowance for a weekly bus pass for each family member, except for pre-school children, was an integral part of the household budgets drawn up as a result of the study.

This section deals with public transport services and how the needs of low-income users are addressed by government, public transport providers and the regulator. There are several groups within the population, which include large proportions of people with low incomes. These are:

- Older people;
- People with disabilities;
- Young people;
- Single parents;
- Low paid workers;
- Unemployed people.

Low income can result from (a) low pay; (b) not being active in the labour force; and c) being in full-time or part-time education.

These categories will be used to analyse the extent to which low income groups are a specific target group of public transport services, whether in terms of types of services, fares or concessions. The paper examines the characteristics of public transport services, market structure, policy context and specific initiatives for low income users.

Characteristics of Public Transport Services

As an introduction to public transport services, the current organisational and regulatory arrangements are outlined followed by a profile of public transport services.

Organisational arrangements

Public transport services have undergone several organisational changes as a result of the deregulation of buses and the privatisation of the rail system. Buses were deregulated in October 1986, as part of the 1985 Transport Act (SERA, 2007). The rail system was privatised in 1993, with the first rail franchises issued in 1995. Although the provision of public transport services has been transferred to private sector operators, the strategic management of both buses and rail is the responsibility of local or national government.

The role of local authorities and central government in planning transport services has increased in the last decade. The requirement for local authorities to draw up Local Transport Plans was set out in the 1998 White Paper on Integrated Transport (Titheridge, 2004:8). One of the aims of local transport plans is “*widening travel choices*” to improve the quality of provision of bus, rail, community transport, car and cycling. Each local transport plan has to show how the travel needs of different social groups are addressed and how these groups have been involved in the development of the plan (Titheridge, 2004).

Local authorities and passenger transport executives (PTEs) are responsible for planning local bus services. Bus services are provided by bus operating companies. The introduction of statutory Quality Partnership schemes, Quality Investment Contracts and Quality Bus Partnerships, through the 2000 Transport Act, aims to increase the role of local authorities in the planning and management of local bus services. This was an acknowledgement that the deregulation of bus services had not resulted in improvements to services; rather, it had led to the creation of monopoly operators in many areas, with no incentive to improve services (TAS, 2007a).

The three types of bus partnership outlined are attempts to involve the local authority/passenger transport executives in the process of commissioning local bus services, by inviting bus operating companies to bid to run local services.

1. Quality Contract Schemes have been used in London, but not outside London. Each local authority or passenger transport authority is responsible for monitoring performance.
2. Statutory Quality Partnership schemes have been adopted by several authorities and constitute a bus strategy as part of their local transport plan. The Quality Partnership scheme:

“represents a commitment on the part of the authority to provide certain facilities to improve local bus services, and to maintain them throughout the life of the scheme; and an obligation on the part of participating bus operators to meet the quality standards prescribed in the scheme when using the facilities in question” (Department for Transport, 2008)

3. Quality Bus Partnerships draw local authorities and bus operating companies together in a non-statutory arrangement. They are defined as:

“Agreements (either formal or informal) between one or more local authorities and one or more bus operators, for measures to be taken up by more than one party to enhance (mainly commercial) bus services, in a defined area, to meet the strategic objectives of the partners” (TAS, 2007a)

Regulation

The Transport Act (1985) set out the framework for a deregulated market. Local authorities and central government were not allowed to plan services, set minimum service frequencies, fares or bus routes. Bus operating companies were not allowed to coordinate provision of services. The 1985 Act required the Office of Fair Trading to *“consider these practices a distortion of the market”* (SERA, 2007:3). The bus industry is monitored in terms of how the market is operating. Recent legislation has attempted to define the role of local authorities in planning bus services, but the requirements of competition legislation are still influential in bus service decisions.

Traffic Commissioners are responsible for monitoring bus services. Seven Traffic Commissioners cover England, Scotland and Wales. The 2006-7 Annual Report provides insights into some of the barriers that the Commissioners have faced in fulfilling their role effectively. Traffic Commissioners have several responsibilities. These cover the licensing of the operators of Heavy Goods Vehicles (HGVs) and of buses and coaches (Public Service Vehicles), the registration of local bus services and disciplinary action against drivers of HGVs and PSVs. The aim of the Traffic Commissioners is to see that “bus services are reliable” (Traffic Commissioners Annual Report, 2006-7: 5).

In 2006-7, the Senior Traffic Commissioner, Philip Brown, reported that *“very few cases dealing with bus punctuality and reliability were referred to the Traffic Commissioners”* (Traffic Commissioners Annual Report, 2006-7:10). He attributed this to the lack of resources and statistics gathering as well as changes in the management structure of the Vehicle and Operator Services Agency (VOSA), which has recently had a new management structure introduced by government. VOSA provides bus compliance officers, who are responsible for local monitoring of bus services. The Traffic Commissioner reported that the number of bus compliance officers for Wales had recently increased from 1 to 3. This was considered an improvement. The Traffic Commissioners also reported that VOSA is unable to deal with complaints because of the extensive responsibilities it has for vehicle licensing. The dependence of the Traffic Commissioners on the VOSA shows that the structure of regulation does not appear to be adequate to monitor local bus services.

In 1994, a new structure for the railways was introduced. What had been a single nationalised industry was restructured into over a hundred different companies (Bolt, 2008). It became an industry that was vertically separated between infrastructure, which included the track and signalling, and the train operation. The ownership of the infrastructure was transferred to Railtrack. The train operations, rolling stock, track maintenance and other services were transferred to private companies (Bolt, 2008).

Rail regulation has undergone several changes since 1994. Initially, the Office of Passenger Rail Franchising (OPRAF) was set as a regulatory agency but its functions were taken over, in 2000, by the Strategic Rail Authority (SRA).

Railtrack went into administration in 2001 and was replaced by Network Rail, a company limited by guarantee (Bolt, 2008). This change also led to the abolition of the Strategic Rail Authority. Its regulatory functions were divided between the Office of Rail Regulation (ORR) and the Department for Transport. The 2004 White Paper *The Future of Rail* (Cm6233) outlined the new functions of the ORR, which combined “*safety, performance and cost*”.

The Office of Rail Regulation (ORR) was set up on 5 July 2004 under the Railways and Transport Safety Act 2003. The 2005 Railways Act transferred the consumer protection functions of the Strategic Rail Authority to the ORR (Railways Act, 2005). The ORR is responsible for the economic and the safety regulation of the sector and the enforcement of licence conditions in relation to consumer protection issues, for example timetabling and ‘through ticketing’. The ORR Competition Act Guideline (2005) sets out how the ORR will expect to apply the provisions of the 1998 Competition Act (Articles 81 and 82).

The Department for Transport is now responsible for the strategic management of the rail industry, which covers the management of the bidding process for rail franchises. The Department for Transport (DfT) is responsible for the Ticketing and Settlement Agreement, which all train operating companies sign up to as part of the franchising agreement, as well as being responsible for ‘*regulated*’ fares. Issues relating to ‘*unregulated*’ fares are dealt with by the ORR and the Office of Fair Trading (OFT).

In 2006, the Transport Select Committee was critical of the rail regulation arrangements. One of the main criticisms was the lack of clarity in the shared responsibility of the ORR and the Office of Fair Trading for ‘*unregulated*’ fares.

Differentiation of public transport services

Table 2: Public transport services				
Level of operation	Bus	Train	Tram/light railway/metrolink	Community transport services
Local	Local services	Local/regional services	Local services	Local services meeting specific needs e.g. disabled people
National	National inter-city services	National inter-city services		

The two main standardised products involved in public transport services are bus and rail services. Rail services operate as local, regional, inter-city and international services and are run by rail franchises. Buses operate as local and inter-city services, delivered by bus operating companies. New light rail, tram and metrolink services have been introduced, which complement local bus and rail services. They are run by either train or bus operating companies.

Community transport services are run by the voluntary/ social enterprise sector and provide a range of more tailored services, for disadvantaged groups, within the population. Community transport services are run locally and there is no national provision, although the extent of community transport services is expanding. The Community Transport Association is the national organisation that links local community transport services. It promotes “*the safe and efficient use*” of community and other accessible transport services, by providing training and other capacity building measures (Community Transport Association, 2008).

Range of public transport services

The range of both bus and rail services is mainly differentiated by distance, with local bus and rail services and long distance coach and rail services. Access to these services can vary, with local services being more immediately accessible in terms of cost as well as physical access. Long distance travel may depend on access to information about the available services, as well as having to anticipate the need to travel in order to purchase a cheaper ticket.

Community transport services provide a wider range of products, in the form of more individualised transport services. These services may cover transport services for people who have difficulties using public transport, subsidised door to door transport for people with mobility problems, group transport mini-bus services, low cost taxi and vehicle hire services. These services are not available in every local authority area.

Availability of substitutes

The process of identifying substitutes to public transport for low income groups involves looking at two dimensions of provision. Firstly, how different modes of public transport compete with each other and, second, how private forms of transport, such as private cars and taxis, compete with public transport services.

Since the 1970s, apart from London and Brighton, there has been a decline in the use of local buses, which the deregulation process may have slowed, but has not changed significantly. The trend within in the London region has been different, with an increase in bus usage, after 2002 (TAS, 2007a). Since 1997, bus fares have risen more rapidly than rail fares (TAS, 2007a).

There are variations between different areas in the pattern, type and level of public transport services and the demand for them. The biggest difference is between rural and urban areas. In rural areas, the use of cars is higher and the demand for public transport services is lower, resulting in a much reduced public transport provision (Paulley *et al*, 2006).

At a local level, bus services often compete directly with local rail services, especially where fares are competitive. For some low income and disadvantaged groups, access to community transport services may be an option, if they fit the criteria to be users of community transport services. Many local community transport services are targeted at people with disabilities and older people. For longer journeys, long distance coach and rail may be considered in competition, with the private car being a weaker competitor (TAS, 2007a).

The price of taxis has kept in line with inflation. Local authorities control fare increases and maintain them in line with inflation, even though taxis have experienced similar cost increases to buses, in terms of increased costs of fuel, labour, and insurance. For people on low incomes and/or people with no car, taxis may be the only way of travelling to “out of town” supermarkets (TAS, 2007a:43).

There are also other forms of transport, often provided by specific services. For example, supermarket courtesy buses are organised by local supermarket stores (DfT, 2003). Social services and health services transport is provided for people using day centres, hospitals and other facilities. These services are often provided by the institutions, local authorities or community transport services. Costs of these services vary from area to area (DfT, 2003).

For children and young people, local education authorities have a duty to provide transport “where they consider this necessary to facilitate his/her attendance at school or further education college” (DfT, 2003:69). Local education authorities also have the power to pay all or part of the costs of travelling expenses for any pupil not entitled to free transport. This provision varies between local authorities.

Are public transport services essential?

In the last decade, there have been several policy documents from the European Commission and the UK government that have presented transport, especially public transport, as being essential for social inclusion. The European Commission (EC) communication *Cohesion and Transport* states that “transport policy plays a major role in strengthening the economic and social cohesion of the European Union” (EC COM (1998), 806). Public transport services contribute to labour market and economic development as well as reducing the isolation of rural and peripheral urban areas (European Commission, 1998).

In the United Kingdom, the Social Exclusion Unit published a report *Making the connections: final report on transport and social exclusion* in 2003. This report recognised that there were clear connections between transport, social exclusion and location of services. Several reports were commissioned by the Department of the Environment, Transport and the Regions (DETR) to explore the relationship between social exclusion and transport. These reports have contributed to raising awareness among local, regional and national policy makers that public transport services can play a significant role in promoting social inclusion.

In 2003, a report published by the Department for Transport found that the social exclusion of groups, such as unemployed people, families with young children, young people, older people and those on low incomes, was significantly affected by their access to public transport. Lack of access to public transport impacted on social exclusion by making people unable to:

- Travel to another place;
- Arrive at a place at a specific time;
- Afford to travel;
- Use the existing forms of mobility (DETR/TRaC 2000; Titheridge, 2004).

In rural areas, and in many peripheral urban areas, lack of access to transport can result in exclusion from public services, leisure services, employment, and education. As well as the practical access to services provided by public transport services, affordability can be a significant barrier to use.

Monk, Dunn and Fitzgerald (1999) in a study of two rural areas, found that difficulties in travelling to work and the cost of travel were barriers to employment. The study also found that employers felt that people, who had to travel long distances or were dependent on public transport, might be unreliable. When employers provided transport, this could trap a worker in poorly paid or unsuitable work (Monk, Dunn & Fitzgerald, 1999).

Frequency of choice and ease of switching

Mode of travel, journey time and cost are three variables that influence transport decisions. Hine and Mitchell (2000) looked at the extent to which the cost of fares presented an obstacle to travel. Some people, who would have preferred to travel by train because it was quicker, actually travelled by bus because it was cheaper. Some people had to walk because they did not have money to pay a fare. People, who were unemployed, felt that there should be fare concessions that they could use when attending job interviews. Access to taxis was also limited by whether people could afford them. However, people used taxis when public transport services were poorly integrated and involved long walks to bus stops (Hine and Mitchell, 2000:330).

Grieco (1995) found that the lack of available information about existing transport routes and services affected the use of these services, by low income households. Social networks were the main source of local information about public transport services. Lack of information about public transport services was identified as a barrier to making unfamiliar journeys (DfT, 2003).

Can demand for public transport services be postponed?

Low income households use public transport for a wide range of reasons. Access to school, employment, health and social services and shopping are often difficult to postpone. The Social Exclusion Unit (2003) reported that one in four job seekers reported that the cost of transport was a barrier to getting to interviews. One in four young people had not applied for a particular job in the previous year because of transport problems. In 2003, over 1.4 million people said *“that they have missed, turned down, or chosen not to seek medical help over the last year because of problems with transport”* (SEU, 2003:2).

The use of public transport for social networking, leading to the development of social capital, may be less constrained in terms of time, but the longer the postponement, the less effective the social interaction that may result.

Do residential consumers compete with large consumers?

Public transport services are aimed at individual, residential users but are reliant on their aggregation to be viable. There is no direct competition with large consumers.

The Public Transport Market

This section examines the market structure for bus and rail services, pricing mechanisms, and cost structures.

Market structure

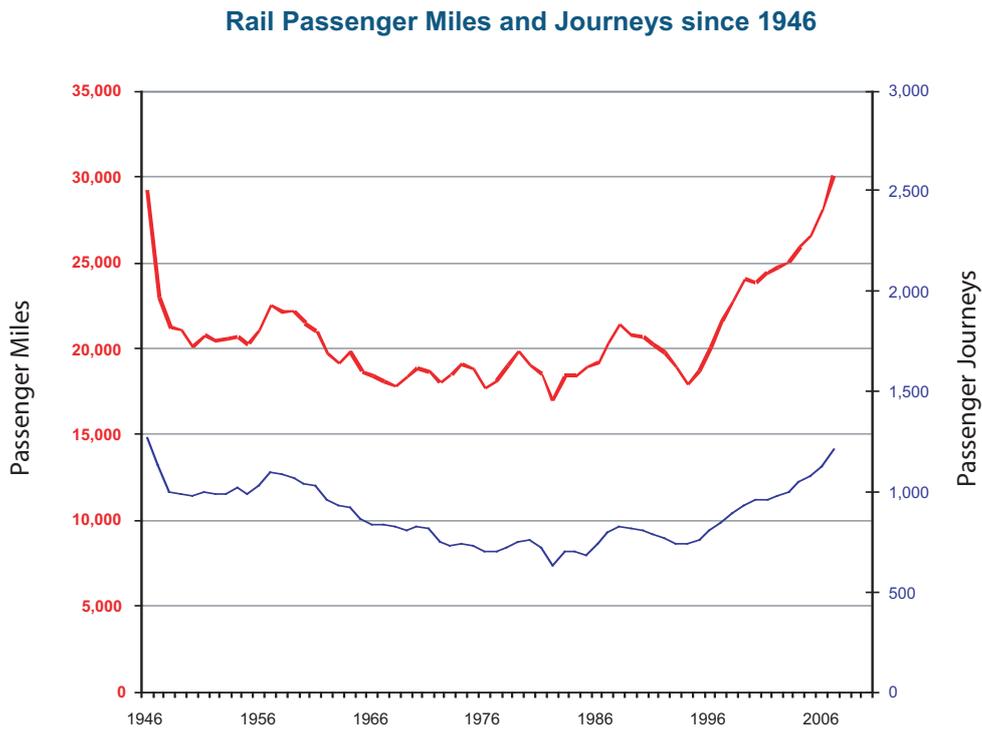
Company	Total 2007 Revenue £ million	2007 Operating profit £ million	Total 2006 Revenue £ million	2006 Operating profit £ million
First Group	3,706.8	203.6	3,030.9	210.7
National Express	2,614.3	205.6	2,525.5	141.6
Arriva	2,064.6	142.8	1,769.0	130.8
Go Ahead	1,826.0	102.0	1,463.0	89.5
Stagecoach	1,504.6	180.9	1,343.9	112.5

Source: *First Group plc Annual Report 2007*; *National Express plc Annual Report 2007*; *Stagecoach plc Annual Report 2007*; www.arriva.co.uk;

There are five main transport operating companies that run both bus and rail services. In 2007, First Group had an annual revenue of over £3,700 million, with an operating profit of £203.6 million. Of the five companies, National Express Group recorded the largest operating profit of £205.6 million, with an annual revenue of £2,614 million. The names of these companies are not well known because both bus and train services have different brand names.

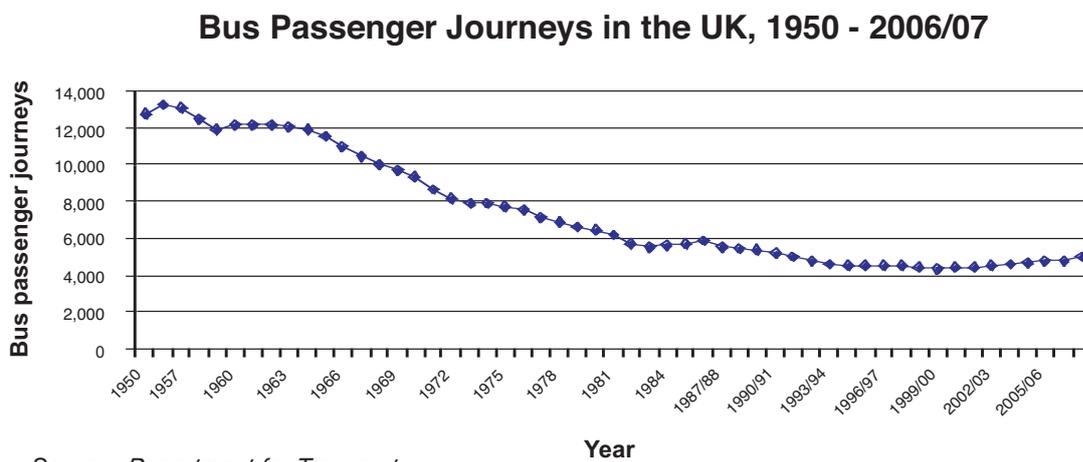
All five companies originally ran local bus services but have diversified into running rail services. There are several possible interpretations for this expansion into rail services. At the time of rail privatisation in 1995, there were no rail companies, and so expanding bus companies took up the opportunities offered by the new rail franchises. Companies started by taking on one or two rail franchises after 1995, with consolidation over the last decade.

Figure 1: Rail passenger miles and journeys since 1946



Source: Association of Train Operating Companies

Figure 2: Bus passenger journeys in the UK, 1950-2006/7



Source: Department for Transport

The number of rail passenger journeys has expanded consistently since 1995. In contrast, bus passenger journeys have been in decline since the 1950s, with a very slight increase in the last decade. The increase in bus passenger journeys has been recorded in London and Brighton but not in the rest of the UK. This is in contrast to the increase in rail passenger journeys, which is more widespread.

Rail franchises

The current rail franchises are set out in the table below.

Table 4: Rail franchises		
Company	Rail franchise	Contract term
To be decided	South Central *	Out for tender
First Group	Scotrail	2004-2011
First Group / Keolis	Transpennine Express	2004-2012
First Group	Hull Trains	2000-
First Group	Great Western	2006-2016
First Group	Thameslink/GN	2006-2015
Arriva plc	Cross Country	2007-2016
Arriva plc	Arriva Trains Wales	2003-2018
Go Ahead plc 65% /Govia 35%	Integrated Kent	2006-2014
Go Ahead plc 65% /Govia 35%	West Midlands	2007-2012
Go Ahead plc 65% /Govia 35%	Southern	2000-2009
Stagecoach	East Midlands	2007-2015
Stagecoach	South Western	2000-2006; 2006-
Virgin- Stagecoach joint venture	West Coast Mainline	2008-2012
National Express Group bought Prism Rail in 2000	C2C	2000- 2011
National Express Group	Intercity East Coast	2007-2015
National Express Group	East Anglia	2004-2011 (with option 3 more years)
Serco plc /Ned Railways (NS) Dutch railways	Northern	2004-2012
Serco plc/ Ned Railways (NS)	Merseyrail	25 year concession from 2003
Concession - Joint venture Deutsche Bahn AG and MTL – Hong Kong based	London Overground Rail Operations Ltd (LOROL)	2007-2014
M40 Trains now owned by Deutsche Bahn AG	Chiltern Railways	2002-2021

* South Central will include Southern and Gatwick Express after 2009

Source: *Association of Train Operating Companies, 2008*

<http://www.atoc-comms.org/franchised-passenger-services.php>

There are 20 franchised train operators with 17 awarded by the Department for Transport. The three train operators not awarded by the Department for Transport are:

- Merseyrail – awarded and managed by Merseytravel on behalf of Merseyside PTE;
- First Scotrail – awarded and managed by the Scottish Executive;
- Arriva Trains Wales – managed by the Welsh Assembly since July 2006 but awarded by the Department for Transport.

There are six non-franchised services that operate under the *'Open Access'* scheme. After privatisation in 1993, the concept of *'Open Access'* referred to companies which had not won a rail franchise and which were expected to introduce competition into the rail system. There are now six *'Open Access'* lines, with three operating services between English regions and London. Clark (2006) comments on the small number of companies operating as *'Open Access'* schemes and identifies some of the opposition to the development of new routes.

Table 5: 'Open Access' routes		
Company	Rail company	Routes
Eurostar (UK) Ltd, SNCF (French Railways), NMBS/SNCB (Belgian Railways)	Eurostar	London - Paris, Brussels
BAA – owner and operator	Heathrow Express	Paddington-Heathrow Airport
Joint venture First Great Western and BAA	Heathrow Connect	West London – Heathrow
80% owned by First Group	Hull Trains	Hull- London
Equishare Partners	Grand Central	Sunderland – London
Jointly owned by shareholders of Renaissance Trains and Laing Rail which was bought by Deutsche Bahn AG Jan 2008	Wrexham Shropshire	Wrexham/ Shropshire- London

Source: *Association of Train Operating Companies, 2008*

Apart from the five largest public transport companies, there are also three UK-based companies and four international companies involved in providing rail services in the UK.

Renaissance Trains was set up by four shareholders, all of whom were former train managers, to identify and develop new Open Access routes in the UK. The company is involved in the Hull Trains and the Wrexham Shropshire company.

Serco Integrated Transport is one of the largest divisions of the Serco Group plc, which provides management services to government and industry globally. It also runs the Docklands Light Railway and Manchester Metrolink (Merseyrail, 2008).

Equishare partners is a private equity group which bought Grand Central railway in 2007.

International rail companies

Deutsche Bahn AG

In October 2006, the German insurance company Allianz Infrastructure Holdings bought the shares of Laing Rail, from John Laing. These were sold to Deutsche Bahn AG (DBAG) in early 2008 and this company now operates Chiltern Railways (Railfaneurope, 2008). Deutsche Bahn AG is part of DB Regio, Deutsche Bahn's local and regional service provider (Chiltern Railways, 2008).

Keolis

Keolis is a French company that is involved in managing public transport systems in eight countries. It is part owned by SNCF. In partnership with national companies, it manages train systems in Sweden, Denmark, Germany, France, the Netherlands, Belgium, the United Kingdom and Canada. In the United Kingdom, Keolis has partnerships with Go-Ahead and First Group.

MTR

MTR runs railways and rapid transit systems in Hong Kong. Founded as the Mass Transit Railway Corporation in 1975 to build and operate the Hong Kong metro system. It was owned by the Hong Kong Government. In 2000, the company was re-established as the MTR Corporation Limited after the Hong Kong Special Administrative Region Government sold 23% of its issued share capital to private investors. MTR Corporation shares were listed on the Stock Exchange of Hong Kong on 5 October 2000. MTR became a partner in London Overground Rail Operations Ltd (LOROL) in 2007 (MTR, 2008).

Nederlandse Spoorwegen

Nederlandse Spoorwegen (NS) is Dutch rail provider. It is a partner, with Serco, on two franchises, Northern and Merseyrail.

The presence of four international companies shows that there is a slow expansion of international ownership and management of rail services in the UK. This process complements the international expansion of the five main UK public transport companies, showing that there is a gradual internationalisation of public transport companies.

Bus services

All of the five major companies operate local bus services but they have many different brands. First Group operate one in five local bus services in the UK, with services in Aberdeen, Bradford, Bristol, London, Leeds, Glasgow, York and Manchester. National Express runs local bus services in West Midlands, Coventry, Dundee, London and the Midland Metro. Arriva runs bus services in London, Liverpool, Leeds, Leicester, Glasgow and Newcastle. Stagecoach runs local bus services throughout England and Scotland but, in 2006, Stagecoach sold its London bus services to Macquarie Bank Ltd in order to concentrate on expansion outside London. Go Ahead operates bus routes in the North East, West Midlands, South East, Southern regions and in London. Both National Express and Stagecoach operate long distance coaches.

International expansion

Four of the public transport companies have some international bus operations, with further international expansion planned. First Group runs school and intercity bus services in the United States and has recently bought a small bus service in Germany. National Express also runs school bus services in the United States and coach services in Spain. Stagecoach runs commuter, tour and charter, sightseeing and school bus services in North America. Arriva has operations in the Czech Republic, Denmark, Germany, Netherlands, Poland, Portugal, Spain, Sweden and Italy but does not operate in North America. Go Ahead runs support

services for national and international aviation services, but does not operate bus or train services outside the United Kingdom.

Pricing mechanisms

Most bus operating companies aim to make a 15% margin on commercial bus operating activities. There is a greater degree of risk associated with bus services than rail. Bus operating companies have to make their own direct capital investment if they purchase new buses. A bus operating company can face competition at any time and this will lead to a reduction in profit margins. Bus operating companies often respond to increasing costs by raising fares or cutting unprofitable routes. This leads to more restricted public transport services (TAS, 2007:4). The average income per bus passenger has increased for all areas, except for London, where there has been a decrease.

Table 6: Average income per passenger 1994/5 – 2004/5						
Year/ area	London	English PTE	Non PTE areas	England	Scotland	Wales
1994/5	£0.55	.64	.84	.68	.74	.77
2004/5	£0.49	.78	1.12	.75	.82	.97
Change	-10.9%	+21.9%	+33.3%	+10.3%	+10.8%	+26.0%

Source: *TAS, 2007a:29*

Since deregulation, daily bus ticketing has become more complex. Most companies offer day and weekly tickets that can be purchased on the bus. These tickets were often launched at competitive prices in an attempt to retain market share. There is a tendency for single fares to rise at a level above the rate of retail price index, with fares for short distances rising most. In many urban areas, less than 25% of passengers travel on a single ticket. Weekly tickets have increased at a lower rate, at either the level of the retail price index or below. There are some differences between companies (TAS, 2007a:28-9).

With rail services, the risk is reduced for train operating companies because, once the franchise has been agreed, many of the costs, such as subsidy payments, are fixed. The Department for Transport has the power to regulate prices of certain rail fares in the interests of rail users. There are two types of fare regulation: a) commuter fare regulation; b) protected fares regulation.

The Department for Transport controls the regulated fares. The price limit is applied to each train operator. Annual fare increases are limited to the retail price index plus 1% per year. With unregulated fares, operators can set fares according to commercial considerations. Train operating companies can also set their own restrictions for some of the regulated fares.

The evidence of the Transport Select Committee (2006) showed how two of the, then, rail operating companies – Virgin and GNER – approached the setting of fares for two routes: London–Manchester and London–Glasgow. They reported that lower rail fares were designed to compete with long distance buses and the higher rail fares were designed to compete with airlines. Distance was also an important factor in influencing fares. The London–Manchester route has a higher rate per mile and so maximises its revenue. The London–Glasgow route has a lower rate per mile in order to compete with airlines. Airlines have the advantage of a shorter journey time (Select Committee on Transport 6th report, 2006).

The 2007 TAS report, for the Commission for Integrated Transport, found that bus and rail fares had increased by about 30% more than the retail price index in the period 1987-2006 (TAS, 2007:32). Fares have risen in England and Scotland by 10% in real terms, in 10 years. In Wales the increase has been 26%, with a more rapid increase since 2000.

Barriers to entry

There are relatively low entry barriers to the local bus market. The market is highly competitive, although the number of bus passengers has declined in areas outside London and Brighton (TAS, 2007a).

In the rail industry, the main barrier to entry is the cost of bidding for a rail franchise, which is estimated to be about £28 million per bid, whether successful or not (TAS, 2007b).

Cost structure

The costs associated with running buses and railways are slightly different and will be analysed separately.

Table 7: Costs for the bus industry 2006		
Direct costs (hours or mileage based)	Semi-variable costs (hours based)	Fixed costs (bus-based)
Driver costs (per bus hour)	Administration	Vehicle ownership or leasing costs
Fuel per km	Supervision	Ticketing and revenue systems
Oil, tyres and mileage based maintenance (per km)	Time based maintenance	Depot, garaging and cleaning systems
		Other overheads e.g. head office costs

Source: *TAS, 2007a*:45

Bus industry direct costs

Costs in the bus industry are rising over time. The costs of bus operators are rising ahead of the retail price index. A shortage of staff has resulted in wage increases to attract more workers. The expansion of bus passengers in London has also resulted in increased costs.

Bus companies can either raise fares or reduce services to maintain a profit. If bus routes become unprofitable, local authorities have, in the past, often subsidised uneconomic routes but the scope for local authorities to do this is becoming more limited, with reduced budgets (TAS, 2007a:9). Tender prices are often related to levels of revenue taken previously. Local authorities tend to prioritise supported services, which either fulfil social need or are best value for money. In London, there has been an increase in local authority expenditure on buses but, outside London, budgets have only kept up with the rate of inflation and so support fewer services.

Direct costs

The main factor contributing to higher costs are wages, which account for 70% of bus operating costs. Recent wage rises have contributed to higher costs, although there have been regional differences. London bus drivers received increases above the rate of inflation. Outside London, wage rises have been the same as the general level of wage increases, with some reduction in the length of working week. This has resulted in more drivers.

EU regulations and social legislation have also contributed to higher labour costs. Companies have raised their contributions to pension schemes by using reserves or proceeds of sales (TAS, 2007a:7).

Fuel price increases have also contributed to higher bus running costs. Levels of congestion also influence the costs of bus operators. Bus operators have to expand resources to maintain levels of services or take away sections of the route to maintain the timetable, in areas of high congestion.

Semi-variable and fixed costs

The costs of management and supervisory services have decreased due to rationalisation of depots and management structures. The costs of headquarters and corporate services are passed down by bus operating companies. Corporate costs have increased. There is continuous pressure to produce profits and dividends for shareholders. Each bus operating company pays its share of group overheads. It is not clear how these costs are allocated in companies that are also involved in rail franchises (TAS, 2007a:54).

Insurance and accident costs have also increased, with employer's liability insurance rising four or five times.

The cost of tendering for bus contracts is lower than for rail franchises. The complexity of the tendering procedure varies according to each local authority. The costs associated with tendered bus services take place after the contract has been awarded. These are registration and publicity to explain changes in contracts, contract compliance (vehicle type and special ticketing), and operational changes (TAS, 2007a:85).

The cost of new buses is also increasing, with bus operating companies responsible for this capital expenditure. There is some evidence that large companies, First Group and Stagecoach, have pushed down the price of new buses by placing large orders (TAS, 2007a:121).

Table 8: Factors influencing rail industry costs		
Direct costs (hours or mileage based)	Semi variable	Fixed costs
Drivers/staff	Off-train staff e.g. platform and booking staff	Vehicle leasing charges/ ownership
Fuel	Administration	Track access costs
Oil & mileage based maintenance	Supervision	Ticketing & revenue systems
Incentive and penalty payment	Train based maintenance	Depot rentals and station access charges
Rail replacement bus services		Depot & train cleaning
		Other overheads

Source: *TAS, 2007b: 48*

Costs in the rail industry are also rising above the rate of inflation. Track renewal and construction costs have also increased due to improvement and upgrading of the rail infrastructure.

Table 9: Revenue and costs 1996/-2004/5				
Year	Revenue	% Increase	Costs	% increase
1996/7	2.9	67%	£4.7 million	32%
2004/5	5.0		£6.2 million	

Source: *TAS, 2007b:15*

Table 10: Analysis of train operators costs 1996/7 and 2004/5				
	Labour	Rolling stock	Infrastructure	Other
1996/7	18.4	19.7	41.3	20.6
2004/5	24.4%	24.0	21.7	29.9

Source: *TAS, 2007b*

Both revenue and costs have increased over the period since privatisation, but revenues are showing a higher rate of increase. The structure of costs has also changed since 1996/7. There have been some changes in rail costs since 1996-7. The proportion of labour costs has increased from 18.4% to 24.4%. Rolling stock has also increased from 19.7% to 24.0%.

Rail industry direct costs

Wages are a significant cost for rail operating companies, although not quite as large as for buses. Labour costs influence the cost of infrastructure maintenance and renewal and rolling stock maintenance. Wage increases have been above the rate of inflation, especially for skilled workers. Contributions to pension funds, as with buses, have come from reserves or proceeds of sale.

Many train operators have been affected by the increased costs of fuel and the duty paid on heavy gas oil.

Rail industry fixed costs

Track renewal and construction costs have increased as part of improvement to rail infrastructure although, as a proportion of total train operator costs, there has been a decrease.

Track access charges are a significant cost for all train operating companies, at about 93%. Access to stations, depots and other buildings accounts for 7%. Track access charges consist of a variable and a fixed element, which cover capital costs of running the network and the "wear and tear" caused by the train services being operated. The fixed charge is paid by the franchised train operators and the variable charges are paid by both passenger and freight rail operators. Rail fixed charges are under review by the Office of Rail Regulation (TAS, 2007b:20).

Rolling stock costs constitute about 24% of the costs of the train operators. The majority of this cost is paid by the Rolling Stock Companies (ROSCOs) which lease vehicles to the train operating companies. Very few train operating companies own their own trains (TAS, 2007b:20). Rolling stock costs have increased since 2000 due to the introduction of new rolling stock.

Management and supervisory staff costs, infrastructure maintenance and headquarters' overheads are passed down to the train operating companies. As with bus operating companies, rail operating companies are under pressure to increase profits and shareholder dividends.

The costs of preparing a franchise bid have been estimated to be about 1% of franchise costs. First Group reported tender preparation costs of £28 million in 2005 (TAS, 2007:53).

The costs of insurance have increased. The Office of Rail Regulation requires insurance as part of the franchise contract. Employers Liability Insurance has also increased.

There is a lack of transparency in the information about the rail industry that is made publicly available. The Office of Rail Regulation holds large amounts of data, but this is only available to train operating companies, for example, the data on train operators' costs (TAS, 2007:13).

Although car drivers face similar costs to bus operators, most car drivers assess the cost of a journey in relation to cost of fuel, which is a marginal cost, and passengers travelling "free". The perception of public transport, especially buses, is often considered in relation to the highest fares. There are increased costs if a passenger has to change to a different route, especially if there is a change of operator (TAS, 2007b:36). Cheaper fares often require pre-booking or pre-payment. Passengers often have problems accessing information on public transport services and fares.

Recent Official Investigations

There have been several official investigations into public transport services, which have implications for low income groups. These are in addition to the reports on social exclusion and public transport published by the Social Exclusion Unit and the Department for Environment, Transport and the Regions in 2003.

The Audit Commission and the National Audit Office published a report on Delivery chain analysis for bus services in England, which assessed the feasibility of the government's Public Service Agreement target (PSA3) to increase bus and light rail usage by 12% in the 10 year period from 2000-2010. The growth was to be achieved in every English region. The Audit Commission and the National Audit Office examined whether the delivery chains for achieving this target were *"fit for purpose"*. They concluded that, although the target would be met in the country overall, it would not be met within each English region. The main reason that the target would be met was due to growth in London, which resulted from Transport for London's influence and commitment to introducing measures which supported the increased passenger growth (Audit Commission/NAO, 2005).

The Audit Commission/National Audit Office recommended that if concessionary fares were more closely linked to transport objectives, then there could be some efficiency savings for local authorities and other gains for local bus operators. Efficiency gains would also be realised if socially necessary bus services were contracted by packaging smaller contracts, using longer contract periods, and joint procurement with other local authorities.

The Audit Commission recommended that, outside London, the market could be made more effective if more information was made available to local communities. Transport Commissioners also needed to receive more information to enable them to monitor services more effectively.

The House of Commons Transport Committee undertook an investigation into rail fares in 2005. In a report entitled *How Fair are Fares*, the Select Committee was critical of the current management arrangements for rail fares. It concluded that they did *"not provide value for money for passengers or tax payer"*.

Several problems were identified. The fare structures are fragmented and complex. Each train operating company has slightly different types of tickets with different conditions. Train operators have made walk-on fares expensive and, for many low income groups, these fares are unaffordable. In addition, companies have increased the restriction on the cheaper Saver fares.

The Select Committee concluded that the train operating companies had *“exploited the complacency of the Government”*. It recommended that the Government had to develop a better system of regulation of prices, fares and conditions of travel. The system of fares had to be simplified. Types of tickets should be consistent between train operators. The Select Committee also recommended that the Office of the Rail Regulator should become stronger.

Over the past decade, advance purchase fares have been introduced, which sometimes offer value for money. These require prior booking, sometimes weeks in advance. This effectively limits access for people who are unable to plan ahead and who require flexible travelling arrangements. In mid-2008, as a response to criticism from the Transport Select Committee, advance purchase fares were simplified so that there is now one basic advance purchase fare. Although this provides a simpler system, it appears to have restricted the range of cheaper fares. Advance purchase fares continue to have a range of different prices which can change according to the number of seats already purchased and the time of journey.

The Commission for Integrated Transport was set up in 1998 to provide advice to the Government on integrated transport policy. It has commissioned extensive research, from the TAS consultancy group, into the prices and costs of public transport services. The reports provide important evidence about prices and costs in both the bus and rail industries. They have been drawn on extensively in the sections on prices and costs in this report.

Extent of Problems for Low Income Households

Grieco and Raje (2004) argue that there has been a failure of public transport services for low income communities, through the deregulation of public transport services and the fragmentation of services. Public subsidies are the lowest in Europe, but bus operating costs are also the lowest in Europe. Increased fares have led to a reduction in journeys and use of bus services. These factors have affected housing estates at the edge of large cities which, when they were built, were near to employment and other services. In the last two decades, economic decline, the closure of local shopping centres and the restriction of local transport services has led to these neighbourhoods becoming physically and socially isolated.

Grieco (1995) examined decisions about travel decisions and travel behaviour of low-income households in Merseyside. Developing the concept of *“inter-household dependency”*, she outlines three types: the provision of shopping services, where one individual does shopping for two households; providing escort services for someone crossing a dangerous space; and child care services, where children of one household are looked after when a journey is made by another adult. Some of these arrangements were used when a medical emergency involved taking a child to hospital and leaving remaining children with the care of a neighbour/friend.

Government Support Schemes

Government support schemes for low income users of public transport services can be considered in two ways. The increased awareness of the links between access to public transport and social inclusion has led to the development of new planning mechanisms. These mechanisms are aimed to increase the participation of low income/disadvantaged groups in the planning of local transport services and to ensure that their needs are addressed in existing public transport services. A second and more direct measure has been the introduction and expansion of concessionary fares.

Accessibility planning

Lucas (2006) examines the use of an accessibility planning tool, which defines access in a wide sense, including physical, social and economic access. The tool aims to provide information on areas where access is poorest and the barriers to accessibility, as seen by local people (Lucas, 2006). It will also make clearer the transport implications of service planning.

Dibben (2006) examines some of the problems of involving local communities in transport decision-making. There were several factors that influenced the response of local authorities to people from disadvantaged groups, asking for changes in bus services. One factor was the lack of responsiveness of the bus operating companies, who often withdrew routes without consultation. The lack of coordination between departments of transport, planning and social exclusion, within local authorities, also made decision-making by the departments difficult. A third factor was the existing deregulation framework, which enable bus operating companies to demand a subsidy before providing a service. Even the groups that were involved in campaigning on transport issues were not necessarily representative of all disadvantaged communities. Campaigners and bus operating companies also used different criteria in arguing for the provision of services. Campaigners focused on social 'needs' whereas bus operating companies were concerned with costs and efficiency (Dibben, 2006:667).

Farrington and Farrington (2005) argue that accessibility has to include more than just transport planning if accessibility and social justice are to be addressed. Church et al (2000) argue that factors influencing level of skills, child care facilities, level of welfare benefits and informal social networks have to be addressed as well as providing improvements in transport facilities.

These studies show that the government policy of increasing transport accessibility through increasing the role of local authorities in planning local bus services will take time to be implemented effectively. Although there is an increased recognition of the needs of low income and other disadvantaged groups within public transport services, the processes whereby these needs can be recognised and addressed are complex and long-term.

Concessionary fares

Concessionary fares have been focused on older people and people with disabilities. These two groups include many people on low incomes. Although the:

“proportion of pensioners living on low incomes in Great Britain has fallen over the past decade, from 26 per cent in 1995/96 to 20 per cent in 2003/04...the proportion of working-age people on low incomes in 2003/04 was substantially lower at 14 per cent”
(English Longitudinal Study of Ageing, 2002).

This shows that older people on low incomes are still a significant proportion of low income groups. There are 11 million people in the UK with some form of disability (Grewal et al, 2002). People from lower social classes are also more likely to be disabled. In 2001, 8% of people in the lowest social class (I) were disabled, and 24% of people from the highest social class (V) (Department of Health, 2001).

The 1985 Transport Act established provisions for local authorities to provide discretionary concessionary fares schemes, for older people and people with disabilities. Although national legislation was introduced in 1985, local authorities retain the power to provide concessionary rail travel and taxi tokens (Transport Committee, 2007-8).

The 2000 Transport Act introduced a minimum standard across England and Wales for concessionary travel. District and unitary authorities had to provide half-fare travel on buses, within the council area, between 9.30am and 23.00pm and all day on Saturdays, Sundays and Bank Holidays. A concessionary travel pass had to be issued with no charge. In 2002, the Fares Concessions (Eligibility) Act 2002 introduced the same age of eligibility for men and women at 60. This age will increase between 2010 and 2020 in line with women's retirement age.

In 2006, the minimum standard was extended to free off-peak bus travel in the Concessionary Fares Bill 2006/7. The 2006 Budget announced that free travel would be available for all people throughout England, aged 60+, and people with disabilities from 1 April 2008, from 9.30am to 11pm (Transport Committee, 2007-8:24). The new measure for widening access to the whole country is anticipated to increase the number of bus passengers (Transport Committee, 2007-8:13).

There are different provisions in Scotland and Wales, as concessionary travel is a devolved issue. Wales and Scotland introduced free national off-peak bus travel for older people and people with disabilities in 2002 (Wales) and 2003 (Scotland). Since April 2007, all people living in Northern Ireland and the Republic of Ireland, aged 65+, are eligible for free bus and rail travel in both areas (Transport Committee, 2007-8).

The cost of the additional free local concessionary travel introduced in 2006 is £350 million for England and £450 million for the United Kingdom. The reciprocal arrangements for the concession schemes in the whole of the United Kingdom will cost an additional £212 million.

Travel concession authorities are responsible for issuing concessionary passes. These authorities are Passenger Transport Executives, London boroughs, district councils, and county councils. They are not transport authorities.

Concessionary bus travel costs about £1 billion per year. As the table below shows, these costs are covered by central government, which operates a system of reimbursements to local authorities.

Table 11: Reimbursement of concessionary bus travel costs		
	2006-7	2008-09
Local authorities	£712 million paid to bus operators	
Special grant given to local authorities		£223 million
National government paid to local authorities for new national concessionary travel passes		£31 million

Source: *House of Commons Transport Select Committee (2008): 25*

The introduction of free concessionary fares has led to an increase in the use of buses. However, bus industry costs and bus fares are rising faster than inflation. The government will continue to provide funding for local authorities for concessionary travel, 2008-9, based on a formula that includes:

- Eligible population;
- Bus passenger journeys;
- Overnight visitors;
- Retail floor space.

Some travel concession authorities receive more than they spend, while others spend more than they receive. Some district councils are finding concessionary travel obligations a financial risk. The Transport Committee suggested that travel concession functions should be transferred from district councils to the larger county councils. This would make the transport authority and the travel concession authority the same body.

There are several unresolved disputes between local authorities and bus operators about the costs of reimbursing bus operators, being *"no better and no worse off"* than if the concessionary fares did not exist (Transport Committee, 2007:13). They are reimbursed for the *"fare revenue foregone and for any additional expenses incurred"* (Transport Committee, 2007:26). There are continuing problems with the way in which reimbursements are calculated. This requires data on the actual level of concessionary travel, the numbers of passengers and an estimate of travel generated by the concessionary travel scheme. Further assumptions have to be made about the type of fare that would have been paid. It is difficult to work out what would happen if concessionary travel was not in place and how much revenue has been lost as a result.

In Scotland, local authorities base reimbursement on a specific fare, and bus operators are reimbursed for 73.6% of an adult single fare. The amount was capped at £63 million in 2007-8. This was part of a three year agreement between the Scottish Executive and the Confederation of Passenger Transport. In England, local authorities are encouraged to use a *"basket"* of fares (Transport Committee, 2007:27).

In 2002, the Commission for Integrated Transport proposed that *"greater benefits would be achieved at lower cost by extending held-fares to young people and those on low incomes, rather than free travel for those over 60"* (Commission for Integrated Transport, 2002). This is a sign that the policy of providing concessionary fares for older people and people with disabilities is not without contention.

Local authorities already have a responsibility to promote local health and well-being. This responsibility is being extended to Passenger Transport Executives. There are already some examples of local authorities introducing concessions for young people, for example Transport for London.

A review of the major Passenger Transport Executive authorities showed that older people and people with disabilities are the major recipients of travel concessions. There are a growing number of initiatives that target young people, whether at school, college or work. There are far fewer initiatives for people who are unemployed or are on low incomes. Table 12 shows some examples of these initiatives.

Table 12: Fare concessions for unemployed and low income groups in the main Passenger Transport Authorities

Authority	Unemployed	Low income
Greater Manchester	–	–
London	Half price bus and tram fares for people on New Deal and income support (until September 2008)	
Northern Ireland	–	–
Scotland		Full time volunteers aged 19-25 may travel free
South Yorkshire	<p>Off Peak TravelMaster £13.50/week for use after 9am on week days and all day Saturdays and Sundays</p> <p>Those eligible are:</p> <ul style="list-style-type: none"> • unemployed and available for work; • receiving Incapacity Benefit; • receiving Severe Disability Allowance; • receiving Working Tax Credit or Child Tax Credit and qualifying for free prescriptions and other NHS services because of low income; • receiving Income Support; • spouse claims Incapacity Benefit or Severe Disability Allowance. <p>Also New Deal – eligible for weekly/monthly TravelMaster at half price</p>	
Tyne & Wear	–	–
West Midlands	–	–
West Yorkshire	<p>FreeCity and FreeTown bus routes are designed to connect bus and rail stations with shopping centres, hospitals, colleges and universities, and key business and leisure locations.</p> <p>Family DayRover for groups of up to five people (up to two adults and up to three children or one adult and up to four children) on both buses and trains.</p>	
England		Family & Friends Railcard Railcard £24 which allows adults 1/3 off rail travel and 60% for children. Up to 4 adults and 4 children can travel together

Sources: *South Yorkshire PTE, 2008; West Yorkshire Metro, 2008; Transport for London, 2008*

South Yorkshire PTE has the most extensive concessions for people who are unemployed, on income support and low incomes, by making an Off Peak TravelMaster available at £13.50 per week, which can be used after 9am and all day on Saturday and Sunday. People who are part of the New Deal for unemployed people schemes can also buy a weekly/monthly TravelMaster at half price.

Transport for London has offered half price bus and tram fares for people on New Deal or income support since 2007. This initiative was funded through a deal which allowed Transport for London to buy cheap oil from Venezuela for buses, which saved about 20% of its fuel costs. Savings were used to subsidise travel for people on income support or the New Deal. This was negotiated by the previous Mayor, Ken Livingstone, in 2007 (Webster, 2007). In May 2008, the new mayor, Boris Johnson, announced that this arrangement would cease in August 2008. He has not made any other provision for low income users of public transport in London (Carroll, 2008).

West Yorkshire does not target unemployed people or people with low incomes specifically, but has a scheme of free routes that connect buses and railway stations with key points in the city – shopping centres, hospitals, schools, universities and other business and leisure facilities. This is an example of how environmental priorities can be combined with measures that benefit low income groups.

Railways in England offer a family rail card scheme that encourages adults to travel with children. This could benefit low income families, even though it is not targeted at specific groups.

Job Centre Plus has a *'travel to interview'* scheme, for people who are out of work and on benefit. A recipient has to be invited to go to an interview in the United Kingdom, for a specific job, outside of the area in which they are living. The job has to be for more than 16 hours a week and to last for more than three months. A candidate has to apply for help with travel costs before attending the interview and to apply for a refund within four weeks of the interview (Job Centre Plus, 2008). This is a complicated arrangement which, although targeted at unemployed people, is not particularly accessible.

This limited range of initiatives shows that unemployed people or people on income support are not targeted in the same way as older people or people with disabilities, by Passenger Transport Executives. In light of the recognition of the links between public transport and social inclusion, this is an area which requires more attention. It raises questions about the nature of the relationship between poverty and access to public transport and whether specific measures are needed to provide people with direct access to public transport by providing free or low cost travel concessions. There may also be other groups that experience the effects of limited access to public transport because of where they live, rather than through lack of income. Passenger Focus reported the case of people unable to use travel concessions, for example, in Central Wales or North of Scotland, because of lack of buses, but where rail companies operate non-remunerative services. It recommended that local authorities resolve these issues (Passenger Focus, 2007).

Conclusion

The past decade has seen an increased awareness of the links between social exclusion and public transport services. A lack of access to public transport services can influence an individual's access to employment, education, leisure activities and health services. At the same time, the limitations of the deregulation of bus services have become more apparent, with the loss of uneconomic routes and bus operators demanding more subsidies from local authorities. For bus travel, deregulation in 1985 does not appear to have provided improved access for people on low incomes. In many areas, their access to bus travel will have become more limited because uneconomic routes often include isolated neighbourhoods at the edge of cities.

Since the rail system was privatised there has been a consistent increase in the number of rail passenger journeys. More evidence is needed to argue that rail privatisation has led directly to increased rail travel. The rail industry has experienced more re-regulation than deregulation. Cheap rail fares are not always accessible for people on low incomes because of the complexity of booking cheaper fares ahead of travel, often involving use of the internet.

Central government has responded by expanding the role of local authorities in the planning of local transport services. This is part of a new set of responsibilities for local authorities to promote health and well-being of their local populations. It has strengthened their role in developing partnerships with bus operating companies, but ultimately their power is limited in influencing transport company decisions.

Central government has also expanded the scope of travel concessions for older people and people with disabilities, so that they can now travel free throughout England, rather than just their local area. Travel concessions have led to an increase in the use of buses.

The costs of fare concession schemes are high, with a complex process of reimbursement from central government to local authority and from local authority to bus operating company. There are no clearly agreed mechanisms for calculating the amount to be reimbursed to the bus operating company in England. Until this is agreed, the future of fare concessions will be subject to dispute. There is already some questioning of the long term costs of the scheme. As this is the most significant provision to encourage people on low incomes to use public transport, the resolution of problems in relation to reimbursement must be a priority for central government if it is committed to expanding access to public transport services.

For older people (60+) or people with disabilities, it is recognised that access to free travel contributes to well-being and improves the social inclusion of these groups. Children and young people are also recognised as needing access to public transport for travelling to school or college. It is difficult to see why people who are unemployed or on income support are not considered to have a similar need to access free travel. This could be administered in the same way that receipt of the disability living allowance - higher level mobility component - makes an individual eligible for free travel.

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